

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 JAKART 16378 01 OF 02 201007Z
ACTION PM-04

INFO OCT-01 EA-07 ISO-00 NSC-05 SP-02 SS-15 CIAE-00 INR-07
NSAE-00 IGA-02 MC-02 L-03 H-01 OMB-01 TRSE-00 ACDA-07
AID-05 /062 W

----- 065011 /10

R 200916Z DEC 76
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8336
INFO SECDEF WASHDC
CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 16378

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS
TAGS: MASS
SUBJECT: JUSTIFICATION FOR CONTINUATION OF GRANT MILITARY ASSISTANCE
TO INDONESIA

1. SUMMARY: RECENT CONGRESSIONAL VISITORS HAVE RAISED QUESTION OF JUSTIFICATION CONTINUED GRANT AID TO INDONESIA. THIS MISSION BELIEVES STRONGLY THAT SUCH AID IS NECESSARY IN PURSUIT U.S. POLICIES; IN ORDER ASSIST INDONESIA MEET ITS MORE URGENT DEFENSE REQUIREMENTS WHILE ENCOURAGING IT TO MAINTAIN PURSUIT OF ITS ECONOMIC AND SOCIAL POLICIES; AS A MEANS TO CONTINUED U.S. ACCESS TO THE GOVERNMENT, WHOSE ARMED FORCES ARE THE POLITICAL FORCE ON MATTERS LITTLE RELATED TO DEFENSE; SO AS TO HAVE THE OPPORTUNITY TO INFLUENCE NEW LEADERSHIP WHICH WILL EMERGE IN '78-'83 TIME FRAME; AND, FINALLY, TO AVOID POSSIBLE INDONESIAN RETURN TO EASTERN EUROPE IF U.S. GRANT AID WERE SUDDENLY TERMINATED. END SUMMARY.

2. THIS MESSAGE CONTAINS THE MISSION'S RATIONALE FOR INCLUSION OF INDONESIA AMONG THOSE COUNTRIES FOR WHICH CONGRESSIONAL AUTHORIZATION WILL BE SOUGHT TO CONTINUE GRANT MILITARY
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 JAKART 16378 01 OF 02 201007Z

ASSISTANCE BEYOND THE SEPTEMBER 30, 1977 CUT-OFF DATE. BECAUSE THEY HAVE BEEN OUTLINED IN THE EMBASSY'S PARA AND OTHER BASIC DOCUMENTS, WE HAVE NOT REPEATED HERE THE EXTENSIVE US NATIONAL INTERESTS IN INDONESIA, ALTHOUGH THESE ARE OF COURSE THE UNDERLYING RATIONALE FOR ALL ASSISTANCE PROGRAMS. WE HAVE INSTEAD CONCENTRATED ON THOSE FACTORS WHICH MAKE THE MILITARY GRANT ELEMENT AN ESSENTIAL PART OF OUR OVERALL ASSISTANCE EFFORT.

3. US MILITARY ASSISTANCE OVER THE PAST FIVE YEARS HAS BEEN PROGRAMMED WITHIN THE GUIDELINES OF A 1971 INTER-DEPARTMENTAL STUDY WHICH HELD THAT MODEST GRANT AID (\$25 MILLION ANNUALLY WAS SUGGESTED) IN SPECIFIC SECTORS WOULD NOT ONLY HELP INDONESIA MEET SOME OF ITS MORE URGENT INTERNAL DEFENSE REQUIREMENTS BUT WOULD SERVE TO CONFIRM THE NATION'S MILITARY LEADERSHIP IN THE PURSUIT OF ECONOMIC AND SOCIAL GOALS COINCIDING WITH US NATIONAL INTERESTS. ALTHOUGH GRANT ASSISTANCE HAS NOT IN ANY OF THE PAST FIVE YEARS REACHED THE LEVELS RECOMMENDED, IT HAS CLEARLY PLAYED A CENTRAL ROLE IN OBTAINING THE INTENDED OBJECTIVE. EXTERNAL AND INTERNAL DEVELOPMENTS OUTLINED BELOW, HOWEVER, ARGUE CONVINCINGLY FOR CONTINUATION OF GRANT ASSISTANCE AT GRADUALLY REDUCED LEVELS OVER ANOTHER FIVE YEAR PERIOD IF THIS RATE OF PROGRESS IS TO BE MAINTAINED OR INDEED IF PAST ACHIEVEMENTS ARE TO BE PRESERVED.

4. THE FACT THAT US MILITARY EQUIPMENT FAR SUPERIOR IN BOTH AMOUNTS AND SOPHISTICATION TO THAT POSSESSED BY INDONESIA HAS FALLEN INTO THE HANDS OF ITS NEAREST POTENTIAL ENEMIES CONCERNS, OF COURSE, INDONESIAN LEADERS. THEY DO NOT SEE AN IMMEDIATE MILITARY THREAT FROM THE INDOCHINESE COMMUNIST STATES AND CONTINUE TO VIEW THEIR PRINCIPAL DEFENSE AS AN INCREASE IN "NATIONAL RESILIENCE" THROUGH ECONOMIC AND SOCIAL PROGRESS. CONCURRENTLY, HOWEVER, THEY CONSIDER IT ESSENTIAL TO OBTAIN REASONABLY EFFECTIVE MEANS TO SURVEIL INFILTRATION ROUTES INTO THE COUNTRY AND TO OVERCOME ANY INTERNAL DISSIDENCE INCITED FROM WITHOUT.

5. CENTRAL TO THE INDONESIANS' DESIRE TO STRENGTHEN ITS MILI-
CONFIDENTIAL
CONFIDENTIAL

PAGE 03 JAKART 16378 01 OF 02 201007Z

TARY "RESILIENCE" IS THE NEED TO STANDARDIZE A STILL CONFUSING POLY-
GLOT OF ARMS OBTAINED OVER THE YEARS FROM OVER ELEVEN DIFFERENT COUNTRIES AND TO DEVELOP TRAINING AND LOGISTICS SYSTEMS WHICH WILL MINIMIZE THE IMPACT OF EQUIPMENT INCOMPATIBILITY. GRANT AID HAS BEEN AND WILL CONTINUE TO BE THE CATALYST FOR INDIGENOUS EFFORTS IN THESE RESPECTS. LOGISTICS AND TRAINING SYSTEMS ASSOCIATED WITH GRANT EQUIPMENT, FOR EXAMPLE, HAVE PROVEN TO BE THE PROTOTYPES FOR SYSTEMS ADOPTED THROUGHOUT THE ARMED FORCES. MORE IMPORTANT, HOWEVER, GRANT ASSISTANCE, AS A SYMBOL OF US APPRECIATION OF INDONESIA'S SECURITY CONCERNS, HAS HELPED NURTURE THE CONFIDENCE WHICH HAS KEPT INDONESIA ON A BALANCED DEVELOPMENT PATH. UNLIKE MANY OTHER DEVELOPING COUNTRIES, INDONESIA HAS AS YET EVINced NO INTEREST IN HIGHLY SOPHISTICATED, OFFENSIVELY-ORIENTED MILITARY EQUIPMENT.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 JAKART 16378 02 OF 02 232029Z
ACTION PM-04

INFO OCT-01 EA-07 ISO-00 NSC-05 SP-02 SS-15 CIAE-00 INR-07
NSAE-00 IGA-02 MC-02 L-03 H-01 OMB-01 TRSE-00 ACDA-07
AID-05 /062 W
-----232039Z 111178 /44

R 200916Z DEC 76
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8337
INFO SECDEF WASHDC
CINCPAC

C O N F I D E N T I A L SECTION 2 OF 2 JAKARTA 16378

C O R R E C T E D C O P Y (MRN 16378 VICE 16878)

CINCPAC ALSO FOR POLAD

6. SIT IS IN PART BECAUSE THE US HAS HELPED MEET SOME OF ITS BASIC MILITARY EQUIPMENT NEEDS THAT THE GOI LEADERSHIP HAS BEEN ABLE TO JUSTIFY DEVOTING INCREASINGLY SMALLER SHARES OF THE NATIONAL BUDGET TO DEFENSE NEEDS (20 PERCENT IN FY 75, 17 PERCENT IN FY 76 AND ONLY 14 PERCENT IN FY 77)M THE GOVERNMENT'S ASSUMPTION IN 1975 OF THE HUGE PERTAMINA DEBT HAS NOT ONLY CURTAILED ITS ABILITY TO DEVOTE BUDGETARY RESOURCES TO THE MILITARY BUT HAS ELIMINATED WHAT SEEMS TO HAVE BEEN SUBSTANTIAL EXTRA-BUDGETARY SUPPORT (FREE OR LOW COST FUEL FOR EXAMPLE) WHICH THAT COMPANY HAD ONCE PROVIDED THE ARMED FORCES. A LOSS OF GRANT MILITARY ASSISTANCE AS WELL AS PERTAMINA SUPPORT COULD HELP LEAD MILITARY ELEMENTS TO DEMAND A REASSESSMENT OF NATIONAL BUDGET PRIORITIES AND ULTIMATELY PERHAPS A CHANGE IN THE GOVERNMENT'S ECONOMIC DEVELOPMENT ORIENTATION.

7. BECAUSE THE ARMED FORCES ARE THE POLITICAL BASE OF THE CURRENT GOVERNMENT, GRANT MILITARY ASSISTANCE HAS FACILITATED US ACCESS TO ALL LEVELS OF GOVERNMENT ON A NUMBER OF IMPORTANT MATTERS. LITTLE RELATED TO DEFENSE. IN REGARD TO HUMAN RIGHTS, FOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 16378 02 OF 02 232029Z

EXAMPLE, PROGRESS IN THE RELEASE OF PKI PRISONERS DETAINED IN THE WAKE OF THE 1965 COMMUNIST POWER PLAY CAN BE TRANCED IN PART TO DEMARCHES WE HAVE MADE TO TOP ECHELONS OF THE MILITARY COMMAND. THE MILITARY LEADERSHIP HAS ALSO BEEN PARTLY RESPONSIBLE FOR THE GENERALLY MODERATE AND CONSTRUCTIVE STANCE

INDONESIA HAS TAKEN ON THIRD WORLD ISSUES, TOWARD WHICH MANY INDONESIANS HAVE AN EMOTIONAL, "NON-ALIGNED" BIAS. (WE CAN TRACE INDONESIA'S DEPARTURE FROM THE G-77 POSITION ON THE UNGA GUAM RESOLUTION, FOR EXAMPLE, PARTLY TO OUR REPRESENTATIONS TO MILITARY LEADERS.) THIRD WORLD AND OPEC ATTITUDES ARE, OF COURSE, OF MUCH GREATER CONCERN TO THE US NOW THEN WHEN THE GRANT AID PROGRAM FOR INDONESIA WAS INITIATED. ELIMINATION OF GRANT MILITARY ASSISTANCE WILL UNDOUBTEDLY RESTRICT OUR ACCESS TO POLICY-MAKING LEVELS OF THE MILITARY ON THESE SUBJECTS.

8. WITHIN THE FY 78-83 TIME FRAME, THE BULK OF THE LEADERSHIP ROLES IN INDONESIA WILL PASS FROM THE "45 GENERATION" WHICH EMERGED DURING INDONESIA'S INDEPENDENCE STRUGGLE, TO A NEW GENERATION WITH A DIFFERENT PAST AND PERHAPS DIFFERENT VALUES. SINCE A VIABLE, BROADLY-BASED CIVILIAN POLITICAL ORGANIZATION HAS NOT YET BEEN ESTABLISHED, THE NEW LEADERSHIP IS HIGHLY LIKELY TO COME AGAIN FROM THE MILITARY. IT IS, THEREFORE, IMPORTANT THAT THE US MAINTAIN ALL POSSIBLE MEANS OF INFLUENCING THE OUT-LOOK OF THIS NEW LEADERSHIP.

9. ALTHOUGH OUR GRANT MILIARY ASSISTANCE PROGRAM FOR INDONESIA HAS BEEN QUITE MODEST WHEN COMPARED WITH LEVELS FOR OTHER COUNTRIES OF SIMILAR SIZE, NEED AND STRATEGIC SIGNIFICANCE, IT HAS IN THE AGGREGATE EXCEEDED THAT FROM OTHER DONOR NATIONS. FOR THIS REASON AND BECAUSE IT COMES FROM THE FREE WORLD'S LEADING POWER, IT HAS ASSUMED A SYMBOLIC SIGNIFICANCE IN THE EYES OF INDONESIA'S MILITARY LEADERS EXCEEDING THE MATERIAL BENEFITS IT CONVEYS. WE HAVE BEEN ACCORDED CORRESPONDING INFLUENCE IN HELPING SHAPE INDONESIA'S INTERNAL AND EXTERNAL POLICIES. WE HAVE, IN SHORT, RECEIVED FAR MORE THAN THE MONEY'S WORTH OF OUR MILITARY GRANT ASSISTANCE. CONSIDERING THE DAYS AHEAD FOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JAKART 16378 02 OF 02 232029Z

INDONESIA AND FOR THE THIRD WORLD, IT IS AN ASSET WE CANNOT NOW AFFORD TO LET LAPSE.

10. QUESTION IS APPROPRIATELY ASKED WHETHER GRANT AID CAN CONTINUE TO BE JUSTIFIED TO COUNTRY WITH OIL REVENUES SUCH AS INDONESIA. INDONESIA, DESPITE OIL PRODUCTION, IS MODEST PRODUCER AND WITH SUBSTANTIAL POPULATION; PER CAPITA INCOME REMAINS LOW. FURTHER, FOR REASONS RELATING IN LARGE MEASURE TO WORLD ECONOMIC DOWNTURN, INDONESIA WILL FACE CRITICAL DEBT PROBLEM OVER NEXT THREE TO FIVE YEAR PERIOD. THIS SITUATION OPTS FOR CONTINUED GRANT ASSISTANCE. AT SAME TIME, IN ANTICIPATION OF POST-GRANT AID RELATIONSHIPS, WE HAVE ENCOURAGED WIDER USE OF FMS CREDIT AND SALES. BECAUSE OF FISCAL PROBLEMS INDONESIA SEEKING MORE FAVORABLE TERMS ON FMS CREDIT AND FUTURE PLANS MAY WELL INCREASE PROCUREMENT THROUGH CREDIT OR SALES BEYOND PRESENT LIMITES. UNTIL THEN, GRANT PROGRAM REMAINS BACKBONE OF CURRENT SUPPLY.

11. IT CAN ALSO BE ARGUED THAT GOI HAS NO ALTERNATIVES TO US SUPPLY. INDONESIANS HAVE HOWEVER ALREADY DEMONSTRATED WILLINGNESS TO SEEK EQUIPMENT ON CREDIT TERMS IN EUROPE AND KOREA, AND THESE COUNTRIES HAVE RESPONDED WITH TERMS BETTER THAN FMS. NEVERTHELESS, NO EUROPEAN COUNTRY OR KOREA CAN PROVIDE BASIC WEAPONS AND MATERIEL ON FAVORABLE CREDIT TERMS. IF US GRANT PROGRAM SUDDENLY TERMINATED, WE CANNOT EXCLUDE POSSIBILITY OF INDONESIAN RETURN TO EASTERN EUROPE SUPPLY SOURCES.

12. THE AMOUNT AND COMPOSITION OF THE GRANT ELEMENT IN SUBSEQUENT PROGRAMS SHOULD, NEVERTHELESS, BE CAREFULLY CHOSEN TO ELIMINATE WITHIN FIVE YEARS INDONESIA'S DEPENDENCE UPON IT. THIS TASK WILL BE FACILITATED BY FACT THAT SELF-SUFFICIENCY IS ALSO AN INDONESIAN GOAL.
NEWSOM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, REPORTS, GRANTS, CENTRAL LEGISLATURE, APPROPRIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JAKART16378
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760470-0565
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761229/aaaaaynq.tel
Line Count: 239
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAY 2004 by GarlanWA>; APPROVED <22 SEP 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JUSTIFICATION FOR CONTINUATION OF GRANT MILITARY ASSISTANCE TO INDONESIA
TAGS: MASS, ID, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006